

SUPERMARKET BUSINESS

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SUPERMARKET BUSINESS

JULY 1990 VOLUME 45/NUMBER 7

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Most attempts to revive the general store concept on a giant scale have not worked out well. But in its Ohio stores, Meijer may have found a successful formula.

IN-STORE 'INTERSTATE' PLAN: SPEED SHOPPING MADE EASY NEAL SANTELMANN 24

Super Basics designed its store not just to get customers in, but to get them out as quickly as possible.

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One Pennsylvania company follows a rule that no two of its supermarkets should look alike. Its new Center Square store is no exception.

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Today's minilabs are smaller, cheaper, and easier to use than those of just three years ago. Gradually, they should help supermarkets gain a greater share of the \$4.3 billion photo processing industry.

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Can supermarkets really be winning the foodservice wars? Yes, if sales alone are considered ... but costs are rising faster than profits.

LEASED AND FRANCHISED BAKERIES: MORE RECIPES TO CHOOSE FROM MIKE DUFF 13A

More companies are willing to run full-service bakeries for supermarkets ... and more supermarkets are likely to take advantage of what can be a relatively easy, low-cost way to upgrade their bakery department.

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IS ONE-STOP SHOPPING OUTDATED?



By Ken Parich,
Editor-in-Chief

There is probably no more over-worked expression in retailing for the past 40 years than "one-stop shopping." It slips out so easily that it is almost as if it comes pre-printed on the paper of every news release ever written about a new retail store.

Every speech ever given by every retailing executive about a new store in every field from supermarkets to drugstores to do-it-yourself stores to general merchandise stores and probably hardware stores, explains that the store was designed to offer one-stop shopping to the shopper.

Perhaps it's time to take another look and to ask: Is that what the customer really wants, or is it what the retailer wants? Personally, I would rather go looking for a specialty store in any category in which I may want to make a serious purchase—from hardware to stereo to photo equipment.

Now, according to an article in a recent issue of *The Wall Street Journal*, the general merchandise discounter seems to have outlived its time. First of all, this is the age of the specialty discounter, in goods from fashion apparel to major appliances, which doesn't leave the traditional general merchandise discounter much room to play around in.

What every retailer fails to grab sufficiently is that no smart shopper wants to shop in a department or category where the selection or the choice is severely limited unless the shopper is in a terrible hurry and/or very lucky. This is true of sporting goods, cameras, cosmetics, housewares or major appliances—it doesn't matter.

Only a poorly informed shopper wants the retailer to make the selections for him in advance. This is one of things that sounded the death knell for many department stores. Only recently did I discover that you don't buy hairbrushes in department stores except at Christmas. After Christmas, they don't have them. You go to a drugstore for hairbrushes.

Of course, you can over-specialize. When few people can any longer use a

Why are supermarkets always trying to re-invent the general store? Because every now and then you might tie into a bell ringer like greeting cards, photo processing or video rentals.

needle and thread, to say nothing of a sewing machine, it is a bad time to be in the notions and needle trades. But even in this highly disposable society, now and then one does need a piece of ribbon, or a ball of twine, or a cotter pin. These are things no decent society should be without.

But in these days of the K marts, the Caldor's and the Bradlees, one can often learn that for every relatively simple task you can undertake around the house, it is often necessary to make three or four stops because each "one-stop" outlet you tackle seems to be out of what you want. Who are those little out-of-stock tags on the peg boards for, anyway?

Do-it-yourself and home center discounters are also facing hard times. Why? Three things come to mind: a vast shortage of people to offer help and advice, horrendous out-of-stocks, and a checkout system that seems to have been invented by Laurel and Hardy. Put that together and you have a formula for no-stop shopping.

All this being the case, why, then, are supermarkets constantly trying to re-invent the general store? Because every now and then, with things like photo processing, video rentals, HBA, and greeting cards, you tie into a bell ringer. It never happened with phonograph records (although CDs seem like a natural), and it has taken more than 25 years to really sell cosmetics in supermarkets.

The pharmacy and the supermarket seem to be a natural, but not the variety store, and not the general merchandise store—unless. The "unless" seems to be—unless your name is Fred Meijer and not Fred Meyer. What's the secret? It could be "people talent." Talent in finding, training and motivating the right people.

In taking a fairly close look at the Meijer stores, it's the only tangible thing I have found so far that sets them apart. According to a survey conducted by a local newspaper in Columbus, Ohio, 40 percent of Meijer's customers shop the stores four times a month or more for a median of 2.2 times a month. That also might have something to do with why Meijer hypermarkets might work. It has got to be more than the one-stop shopping myth. ■

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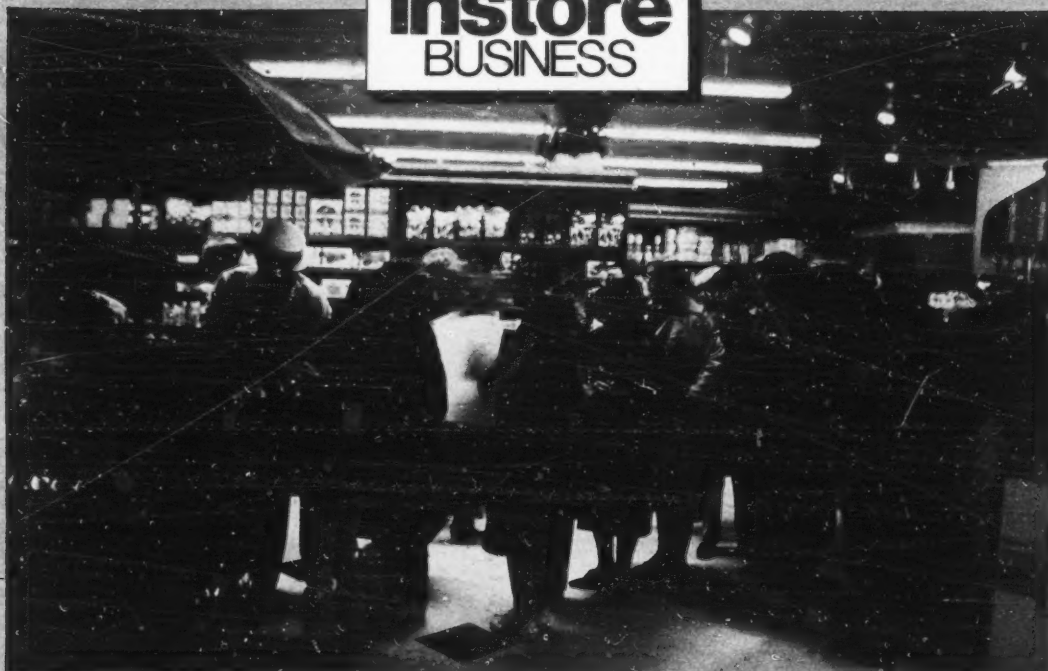
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FOODSERVICE DEPARTMENT

1990 OPERATIONS REVIEW

Competition is heating up around the nation's foodservice kitchens. Once thought by the restaurant/foodservice industries to be an amateurish entry in their business, supermarket foodservice has definitely come into its own... and it continues to move ahead with a vengeance.

For years, INSTORE BUSINESS has been chronicling the rise of supermarket foodservice, discussing the trends and tracking the increasing number of departments and sales. This has always been a pleasant task, but the nature of the job is rapidly changing.

With the magnitude of growth that instore foodservice has recorded in recent years, traditional foodservice outlets are no longer amused by supermarket competition. They are, in fact, becoming more aggressive in their efforts to gain back their lost sales.

Can supermarkets really be winning the foodservice wars? Based on sales, the answer seems to be yes. But costs are rising even faster than profits.

The competition continues to escalate, which is inevitable given the amount of money that is at stake. So, as we offer this 1990 Operations Review of Foodservice Departments, we might as well label ourselves war correspondents. For war is what it surely will be.

In the skirmishes to date, supermarkets have done extremely well. Sales of prepared foods through supermarkets have almost doubled in the last two years. They now stand at \$3.88 billion.

It would appear that unless traditional foodservice establishments can mount an effective counterattack, the outlook for instore foodservice sales is to continue in one direction—up.

Sales go through the roof

For sales to have increased almost 100 percent in the space of two short years, something

BY DAVID LITWAK
AND
JANET TORRES CEPEDA

really dramatic must have been taking place. In fact, two things are going on concurrently: increased interest on the part of consumers, and increased interest on the part of operators.

Consumers are really accepting supermarket foodservice fare with a level that has increased steadily over the last few years. This trend continued during the last 12 months. A year ago, we reported that average weekly sales of prepared products in the supermarket were \$2,724. Today, weekly sales average \$3,720, an increase of about \$1,000 per week. Spread this increase over the 17,776 supermarkets that offer foodservice, and you have \$17.8 million a week in extra sales across the country.

Other than the excess sales dollars that are generated, this statistic is encouraging because it indicates just how well supermarket prepared foods have infiltrated consumer eating habits. If increased sales of this magnitude can be used as a barometer, then it seems that consumers have tried, tasted and come back to the supermarket for prepared food products.

This is a tribute to the improved quality and taste of these products, as well as their perceived value and convenience. Consumer acceptance hinges on how well they like the product—meaning its quality and taste. Obviously, more and more consumers have been satisfied with these elements in supermarket foodservice.

Price, or perceived value, has always been important to the consumer. In an era when "fast food" has become increasingly more expensive, the cost of supermarket prepared foods is often more affordable. This is especially true in a perceived-value sense that takes into account the quality of the products as compared to those offered by the drive-through hamburger franchises.

If there is any factor that appears to be holding back supermarket prepared foods, it may be convenience. Not the convenience of the products themselves, but the inconvenience of buying those products. Studies have repeatedly shown that convenience is rated right after quality as an impor-

tant factor in choosing a prepared meal.

If your customer has to stop in your store to pick up some grocery items anyway, then your deli is the most convenient place in town for her to purchase a prepared meal. If, however, there is no additional grocery shopping on the agenda, your prepared food section may well not be as convenient as the drive-through fast food factory, or the takeout shop that never has a line, or the home-delivered pizza.

In a recent consumer poll conducted by INSTORE BUSINESS (see May, 1990), 35 percent of those questioned indicated that it was just too inconvenient to shop for prepared meals in a supermarket, especially if they

Prepared Foods Census

The sales of prepared foods in supermarket delis increased to a whopping \$3.88 billion in 1989. This increase was fueled by the addition of 834 supermarkets that started selling prepared foods last year. Consumers responded to supermarket prepared foods by purchasing the foods in greater quantities than ever before. On average, each store sells \$3,720 in prepared foods each week.

Most delis now sell a combination of hot and refrigerated prepared foods. Indications are that the cold foods will continue to rise at a faster rate than the traditional hot prepared foods.

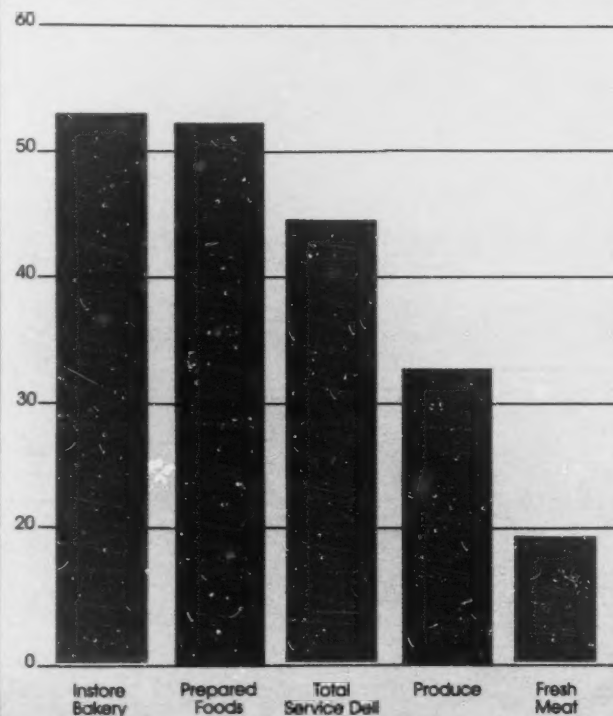
The profits from these foods continue to be strong. With gross margins of 52.2 percent, prepared foods contribute roughly 5.1 percent to a store's bottom line, based on an average of 2.1 percent of sales.

Prepared Foods Sections

	Number of Supermarkets* Selling:	Percent of Total Units With Instore Deli's Selling:
Any Prepared Foods (Hot or Cold)	17,776	88%
Hot Foods	15,958	79
Refrigerated Prepared Foods	15,554	76

*5% of these stores started selling prepared foods in 1989.

Gross Margins of Various Store Departments



Sales & Profits

Prepared Foods Share of Total Store Sales

Mean **2.1%** Median **1.5%**

Contribution of prepared foods to store profits

Mean **5.1%** Median **5.2%**

Annual Sales 1987

Prepared foods **\$3.88 Billion**

Average Weekly Sales

Mean **\$3,720** Median **\$3,397**

Weekly Sales

\$2,000 or less	3%
\$2,001-\$3,000	7
\$3,001-\$4,000	53
\$4,001 & Over	37
TOTAL	100%

Average Gross Margin of Prepared Foods

Mean **52.2%** Median **51.2%**

Gross Margin

Less than 40%	2%
40-50%	22
51-55%	12
56-59%	61
60% and over	3
TOTAL	100%

are just stopping to pick something up for dinner on the way home.

This issue is becoming the front line of fast food counterattack. Since they can't compete with supermarkets on perceived quality of the products, variety of menu items, or even price in most cases, fast food restaurants have started promoting their image of being "fast," or more convenient all around. They have not missed an opportunity to point out that it may take you less time to get your dinner from them than it takes you to walk across the parking lot, into the store, and get up to the supermarket deli line.

More supermarket operators report having taken some steps to combat the convenience problem. The rise of packaged refrigerated prepared foods—which 43 percent of the retailers expect will increase in sales during the next year—will help make buying these products much more convenient. Adding separate deli department checkouts, moving the departments to the front of the stores, and in some stores creating drive-through windows, will help boost the convenience image of supermarket prepared foods.

Greater customer demand is not the whole explanation for the huge increase in prepared

food sales last year, when sales reached their current level of \$3.88 billion from \$2.4 billion at the start of the year. A good share of the credit has to be given to operators who, for the most part, responded to consumer interest.

Retailers responded in two ways. First, they gave their customers a greater variety in prepared foods items—both hot and cold, and both service and self-service. Secondly, they gave customers more opportunity to purchase those products.

More supermarkets offered their customers prepared foods last year. Prepared foods are now being sold by 17,776 units,

which is an increase of 834 over the previous year. Given the fact that, on average, each of these additional units sells \$3,720 worth of prepared foods per week, it is easy to see how these additional outlets helped propel the increase in prepared foods sales.

With these 834 additional units now offering some type of foodservice, about 88 percent of all supermarkets that have service delis offer prepared foods. Most of these stores sell both hot and cold prepared foods.

The scope and variety of their prepared foods programs varies greatly, from those that offer only simple prepared salads or

Prepared Foods Sales, Labor Products

It was a good year for grocers in terms of increased sales of prepared foods. Eighty-two percent report that their prepared foods sales increased in 1989. Sixteen percent saw no change in sales, while only 2 percent said that their prepared foods sales decreased. The average reported sales gain was 24.9 percent.

Salad bars and hot pizza are the two most popular special food sections among retailers. Pasta and soup bars are also featured quite often in our nation's supermarkets.

Labor costs associated with prepared foods have risen significantly over the past year. It now costs 28.1 percent of prepared foods sales to cover the cost of the labor to produce, maintain and service the products. Part of these higher costs come from the larger percentage (20.2 percent) of trained chefs that are now employed among the instore staffs in supermarkets.

Changes in Dollar Sales of Prepared Foods

(1988 vs. 1987)

Higher	82%
No Change	16
Lower	2
TOTAL	100%
Average Reported Increase	24.9%

Percent of Total Prepared Foods Sales Sold Through:

Service Deli	80%
Separate Hot Service Counter	7
Self-service Area	7
Refrigerated Case	6
TOTAL	100%

How Much for Labor

(As percent of prepared foods sales)

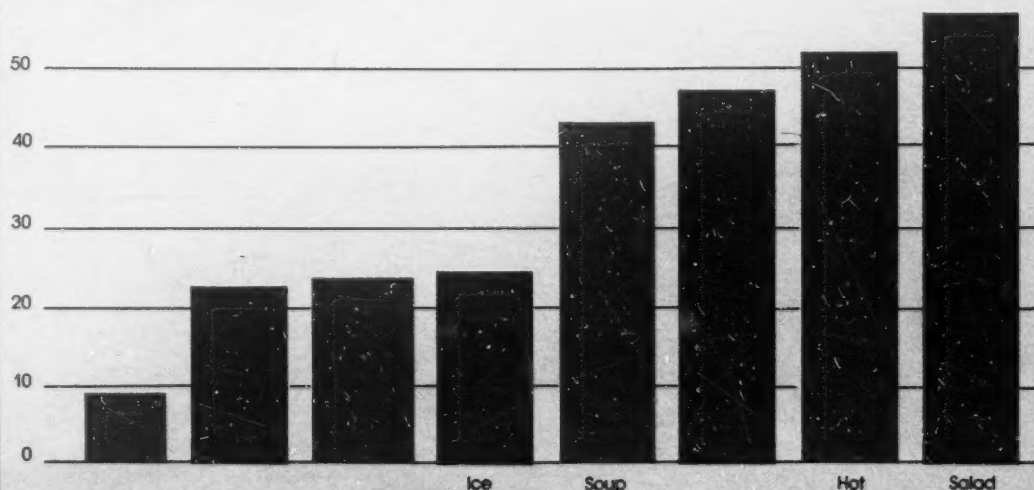
Mean 28.1%	Median 32.6%
less than 15%	5%
15-24	68
25-34	14
35 and over	13
TOTAL	100%

Trained Chefs

Percent of Instore Staff that are Trained Cooks	20.2%
---	-------

Special Foodservice Sections

Percent of Companies



fried chickens to those that offer a full line of entrees and side dishes. Pricing points also fluctuate across a wide range, from moderate to gourmet.

It is extremely hard to define what exactly prepared foods are, or what they aren't. Therefore, the \$3.88 billion sales mark is really an estimate, given what has traditionally been categorized as a prepared product.

It can be argued that virtually everything sold by the deli can be classified as a prepared food. For our purposes, however, we have limited the definition to include only value-added products that would constitute a significant part of a meal. By this definition, cold cuts or sliced cheese do not qualify unless they are part of a sandwich. Traditional prepared salads, such as cole slaw, macaroni or potato salad, also do not count.

Even without these products, prepared foods constitute about 36 percent of all service deli sales. While the deli is still very much dominated by sliced meats, cheeses and prepared

salads, prepared foods have gained significantly in their share of deli sales over the past few years. They are also the fastest growing products in the deli, so their importance to the department will increase in the years ahead.

The profit potential of prepared foods has not escaped the gaze of those retailers whose eyes are pointed at the bottom line. With an average gross margin of 52.2 percent, prepared foods contribute an average of 5.1 percent of the overall net profit of the store.

The gross margin of prepared foods fell slightly during the past year, from a high of 53.4 percent the previous year. This is probably due to more costly packaging, more costly ingredients as a result of concentrating on health issues, and increased competition. Despite this, prepared foods are second only to the instore bakery when it comes to gross margins of service departments.

An increase in the variety of prepared products, improve-

ments in taste and quality, and increases in the volume of product moved all translate into higher labor costs. Unfortunately, the increase in the amount of sales needed to pay for labor was significant. Labor costs rose from 17.6 percent in 1988 to 28.1 percent last year.

Chefs don't work cheap

One reason for this is the increased number of prepared products that are being offered. Another reason is the extra service personnel needed to handle customer requests.

Despite the gain in popularity of packaged refrigerated prepared foods, 87 percent of all sales come from service counters. This pattern is likely to continue; 57 percent of the operators indicated that they expected their prepared food sections to go to even more service in the future.

The personnel servicing the prepared foods section continue to get more expensive. There was a 33 percent increase in the percentage of the deli staff

that were trained cooks. These higher-priced employees now compose an average of 20 percent of the store's instore employees, up from the 15 percent the previous year.

The need for more trained chefs was brought about by an increase in the number of prepared products being produced instore. Currently, 25 percent of all prepared foods are cooked in the store's own kitchen. This is an increase from 17 percent the year before. Fifty-six percent of retailers indicated that they will be producing more foods instore in the future.

Down slightly is the percentage of foods bought from foodservice suppliers, which fell from 77 percent to 71 percent. Although the total percentage of foods from foodservice companies has declined somewhat, many retailers have gone to buying much of their prepared foods instead of making them. Thirty-nine percent of the retailers felt that they would be buying more of their products

Continued on page 11A

Eating Areas

Grocery operators seem to be cautiously moving more in the direction of offering some kind of instore eating sections that sell and serve meals. Snack bars are the most popular of these sections, with 2,222 now operating. The number of restaurants and cafeterias in supermarkets has reached 384. While still extremely small, this number has grown considerably over the last three years.

With gross profit margins for these eating sections in the mid-50 percent range, a well-run snack bar or cafeteria/restaurant can be very profitable. Generally, the running of these sections falls to the deli manager, especially among the snack bars. Restaurants have a separate management in about 25 percent of the cases.

Newspapers are the media of choice when it comes to promoting instore foodservice. Store circulars, sampling and POP materials are also widely used to advertise the foodservice offerings in supermarkets.

Stores With Eating Areas

	Number of Supermarkets	Percent of Stores with Delis Having Each Section
Snack Bars	2,222	11%
Sit-Down Restaurants/Cafeterias	384	1.9
Sit-Down Eating Areas	14,544	72
Drive-Thru Areas		<1%

Average Size of Sit-Down Restaurants/Cafeterias

1,440 sq. ft.

Average Gross Margins of Eating Sections

Snack Bars	53.0%
Restaurants/Cafeterias	54.6
Off-Premise Catering	63.4%

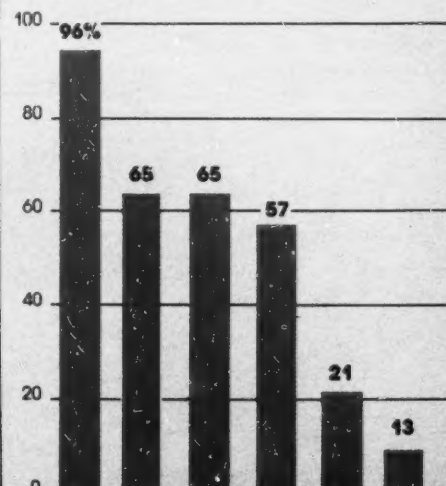
Who Manages the Sections

	By Deli Dept.	As Separate Section
Snack Bars	100%	—
Restaurant/Cafeteria	75	25
Off-Premise Catering	100	—

Do You Consider Instore Eating Facilities :

Image/Traffic Builders	13%
Profit Centers	0
Both	87
TOTAL	100%

Advertising and Promotion Instore Foodservice



from foodservice suppliers in the future.

The industry appears to be going in two directions at the same time. As some operators go more toward instore production, some are leaving production behind. The latter group consists mainly of those that have expressed concern over safety issues and potential liabilities should something go wrong. Safety of prepared foods continues to be the most significant issue that retailers face concerning these products.

For those operators that choose to buy prepared foods, many have found their way to foodservice suppliers. Having long been unsuccessful in their efforts to reach supermarket outlets, traditional foodservice suppliers seemed to have finally bridged the gap.

Eighty-nine percent of foodservice products and ingredients are bought from these companies. Another 9 percent of the ingredients are taken from store inventories, while only 2 percent come from grocery wholesalers.

Due to a combination of factors, including the increased variety and quality of products, safety concerns, and conven-

ience factors, cold food sales are the wave of the future. When asked what kinds of prepared food products they expected to offer in the future, the overwhelming majority of retailers said "refrigerated."

When talking about entree items, 65 percent of the operators predicted that they would offer more refrigerated foods, with only 10 percent opting for more hot items. The remaining 25 percent didn't see any changes in their current balance of cold and hot. Seventy percent of the retailers felt that their future side dishes would be refrigerated, with only 10 percent adding hot side dishes.

Eating in

Instore eating is also on the increase. The number of retailers who have taken the extra step toward a fuller-scale foodservice operation has grown.

The number of supermarkets that have an operating snack bar program jumped last year to 2,222, which was up from 1,773 the year before. The snack bar functions mainly as a way to feed the employees, shoppers and area workers. As such, it is in direct competition to the fast food restaurants in the area.

Twenty-two hundred snack bars may not seem like much of a threat to the fast food giants, but each individual snack bar may make a dent in the sales of whatever eating establishment is in or near the same shopping strip. These 2,222 snack bars represent about 11 percent of all the supermarkets that have delis, and the number is growing.

Currently, there are 384 adventurous operators that have taken the leap into the realm of the cafeteria or sit-down restaurant. The figure also grew over the last year, with over 140 new cafeteria/restaurant units added.

Despite the difficulties that can accompany the opening of one of these advanced instore eating sections, the rewards can be significant. Operators report average gross margins of 54.6 percent in their restaurants and cafeterias, and 53.0 percent in their snack bars.

The difficulties lie in making these sections work, and bringing in enough customers to make the margins more than cover the cost of the operation. The larger or more complex the operation, the more overhead you're building into your sec-

tions, and the more potential cash drain you hang over the head of your whole foodservice program.

Make it work, though, and you can be a hero. Still, there are many retailers who do not feel altogether comfortable with going so far afield from the grocery business.

Most retailers do feel comfortable with giving their customers some chairs and tables on which to eat foods that they have already purchased. There are 14,544 sit-down eating areas in supermarkets. These are in 72 percent of all supermarkets that have a service deli.

A word is in order about the management of instore eating facilities. Virtually all supermarket snack bars are reportedly under the jurisdiction of the deli department. Restaurants and cafeterias are more divided. Currently, 75 percent of supermarket restaurants/cafeterias are managed by the deli, but the other 25 percent are run as separate departments.

This is significant, since last year the figure was only 20 percent. As the restaurants and cafeterias are becoming larger and more complex, operators appear

Continued on page 32A

Prepared Foods Merchandising & Production

Refrigerated prepared foods are the wave of the future in our stores. A majority of operators see more refrigerated entree and side dish products (65 percent & 70 percent respectively) being offered by them in the years ahead. Only 10 percent predict that they will be offering more hot prepared foods.

While the majority of prepared food products (71 percent) are bought pre-made from foodservice suppliers, a growing number (25 percent) are now made instore—which helps explain the rise in labor costs of prepared foods. Some companies will continue to make more of these products instore, while others will choose to increase the number of products they buy.

In Which Direction Will Your Prepared Food Sections Go in the Future

More Service	57%
More Self-Service	43
TOTAL	100%

Types of Prepared Foods Products You Expect in the Future

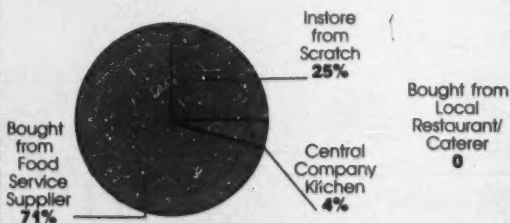
	Entree	Side Dishes
More Hot Foods	10%	10%
More Refrigerated Foods	65	70
No Change	25	20

*Includes multiple responses

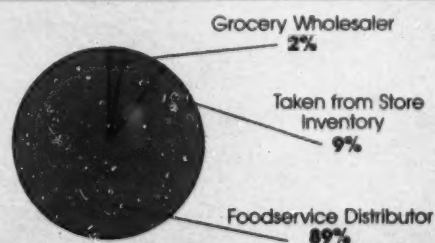
In Which Direction Do You See Your Foodservice Preparation Going in the Future

More Instore	56%
More Central Kitchen	5
More Food Service Supplier	39
TOTAL	100%

How Food Products Are Produced



Where Are Foodservice Products and Ingredients Bought





HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO		
	4 WEEKS ENDING 2/23/90	4 WEEKS ENDING 3/23/90	4 WEEKS ENDING 4/20/90
BABY NEEDS	- 2.9%	- 2.8%	- 8.7%
Baby Powders	- 12.1	+ 0.2	- 21.8
Baby Oils, Creams & Lotions	- 4.9	- 8.3	- 10.5
Infant Clothes	- 7.5	- 6.2	- 2.2
Nursing Supplies	+ 4.0	+ 2.8	- 1.6
MISC. PERSONAL NEEDS	+ 16.9%	+ 9.3%	+ 6.1%
Contraceptives	+ 17.1	+ 14.4	+ 6.3
Personal Lubricants	+ 18.7	+ 16.7	+ 13.1
Home Testing Kits	+ 21.4	+ 15.9	+ 9.2
Thermometers	+ 0.6	- 16.1	- 4.4
DEODORANTS	- 4.5%	- 1.1%	- 0.9%
Sprays	- 12.8	- 10.2	- 13.6
Roll-Ons	- 9.0	- 9.0	- 3.4
Stick Deodorants & Pads	+ 1.9	+ 4.1	+ 8.9
Creams	- 6.3	- 3.8	- 7.4
Deodorants & Talcum Powders	- 23.4	- 3.1	- 10.9
Feminine Hygiene Deodorants	+ 0.1	+ 3.2	- 5.1
Foot Deodorants & Athlete's Foot Remedies	+ 2.5	+ 7.5	- 0.6
Feminine Douches	- 3.6	+ 5.8	- 6.4
FIRST AID	+ 3.7%	+ 3.8%	- 0.6%
Antiseptics	- 1.0	+ 6.2	+ 6.1
First Aid Products	+ 5.1	+ 2.5	- 3.4
Elastic Goods & Dressings	+ 51.5	+ 91.6	+ 88.4
HAIR CARE NEEDS	- 1.6%	+ 1.9%	- 4.5%
Shampoos	- 0.8	+ 0.5	- 7.2
Hair Sprays	- 5.8	+ 2.0	- 4.6
Hair Conditioning Rinses	+ 2.8	+ 4.5	- 2.5
Hair Setting Needs	+ 3.2	+ 7.0	+ 3.3
Home Permanent Kits	- 14.2	- 10.5	- 9.9
Hair Coloring	- 0.4	+ 3.0	+ 1.9
Hair Dressing Needs	- 9.1	- 3.9	- 11.9
ORAL HYGIENE	+ 0.1%	- 1.2%	- 1.8%
Toothpastes & Powders	+ 0.9	- 2.8	- 1.5
Mouthwashes	- 8.0	- 7.9	- 8.6
Breath Fresheners	+ 5.6	+ 6.0	+ 3.5
Denture Cleaners	+ 1.7	+ 3.5	+ 2.6
Denture Adhesives	+ 0.4	+ 1.0	- 1.1
Toothbrushes	+ 7.3	+ 11.8	+ 4.5
Dental Aids	+ 4.6	+ 11.4	+ 5.0
PROPRIETARY REMEDIES	- 10.0%	- 3.9%	- 0.7%
Antacids	- 2.0	+ 2.2	+ 0.6
Internal Analgesics	- 10.4	- 6.1	- 7.6
External Analgesics	+ 19.8	+ 19.1	+ 25.8
Cold Remedies	- 11.8	- 6.6	+ 3.5
Nasal Sprays/Drops/Inhalers	- 8.6	- 2.4	+ 1.0
Chest Rubs	- 28.2	- 17.8	+ 1.4
Cough Remedies	- 21.7	- 12.7	+ 5.8
Laxatives	- 4.9	- 2.2	- 0.8
Sleeping Aids	+ 2.3	+ 3.4	+ 5.9
Tranquilizers	- 17.9	- 19.4	- 16.2
Eye Care Products	+ 3.9	+ 2.4	- 3.8
Appetite Suppressants	- 28.4	- 14.9	- 19.3
Synthetic Vitamins	- 4.7	+ 5.1	+ 1.2
Natural Vitamins	- 1.5	+ 7.3	+ 3.8
Misc. Proprietary Remedies	- 10.6	+ 1.3	+ 5.0
SHAVING NEEDS	- 3.1%	+ 1.5%	- 4.8%
Shaving Creams	+ 5.9	+ 7.1	- 5.4
Pre-Shave Lotions	- 1.7	- 1.9	- 9.0
After-Shave Lotions	+ 3.2	- 3.4	+ 0.2
Razor Blades	- 6.9	- 0.3	- 4.4
SKIN CARE AIDS	- 7.7%	- 8.6%	- 8.3%
Hand & Body Creams & Lotions	- 13.0	- 17.9	- 11.1
Facial Preparations	- 6.9	- 9.5	- 11.1
Lip Care Products	- 13.4	- 8.2	- 2.1
Suntan Lotions & Oils	+ 18.7	+ 13.8	+ 1.4
Cosmetic & Medicated Skin Aids	- 3.3	- 0.9	- 2.8
TOTAL ALL CATEGORIES	- 1.1%	- 1.8%	- 2.4%

HBA UNIT SALES DECLINE IN ALL BUT ONE PRODUCT GROUP

Sharp drops are seen in April movement of baby needs, skin care, hair care, and shaving needs, compared to a year ago.

BY ALAN B. MILLER JR.

So far, this has not been a healthy year for HBA products, either in food stores or drugstores. During the four-week period ending April 20, 1990, combined unit volume in 57 product categories tracked by SAMI fell 2.6% in food stores and 2.4% in drugstores, compared to the corresponding period of a year ago.

At the same time, four-week dollar volume in food stores rose \$11.5 million. This gain was the result of a combination of increased prices as well as changes in the product mix, compared to April of 1989.

The sole product group gain was 6.1% for miscellaneous personal needs, which encompasses such categories as contraceptives, personal lubricants, thermometers and home testing kits. These items have been enjoying continuing gain rates for the past year, although there have been both four-week and 12-week decreases in unit sales of clinical thermometers.

There were two product groups with four-week unit loss rates in excess of 5%. The greatest percentage decline was 8.7%, for baby needs, followed by a drop of 6.3% for skin care aids.

Just short of a 5% loss rate were hair dressing needs (-4.8%) and shaving needs (-4.5%). The category ratio of gains to losses was 24 to 33, and nine product categories had loss rates above 10%. Baby powders, down 21.8% in four-week unit sales, topped the list of poorly performing product categories.

Losses for all baby needs

During the April reporting period, all four categories of HBA baby needs recorded loss rates, including nursing supplies, which is the only one of these categories with gains for either the 12-week period or the full 52-week period.

In addition to the sharp drop for baby powder, there was a

loss of 10.5% for baby oils, creams and lotions. There was a modest improvement in the loss rate for infant cloths, from a -5.3% loss for 12 weeks to -2.2% loss for the 28-day time frame.

There continues to be plus volume in the newer categories of miscellaneous personal needs, ranging from 6.3% for contraceptives to 13.1% for personal lubricants.

The only positive trend among personal deodorants and antiperspirants was the perennial strength among stick deodorants. The category's four-week gain rate of 8.9% is higher than both its 12-week increase of 5.0% and its annual gain of 3.5%.

New product activity for both Degree and No Sweat helped to reduce the loss rates for roll-ons from -7.2% for the 12 weeks to -3.4% for the April reporting period.

First aid antiseptics had a four-week decline in spite of a 6.1% increase for first aid antiseptics. The 88.4% increase for elastic goods and dressings was primarily the result of tracking items that were not included in this category last year.

Two out of seven hair care needs categories had four-week unit sales increases in food stores. But the 3.3% gain for hair setting needs and 1.9% for hair coloring did not offset losses of 11.9% for hairdressing needs, 7.2% in the high-volume shampoo category, or 4.6% for hair sprays.

The oral hygiene product group had an overall loss rate of 1.8%, even though among the seven product categories, four gained and three declined. Two of the categories with declines were those with the highest volume: toothpaste and powder (-1.5%) and mouthwash (-8.6%).

There were gains amounting to 5.0% for dental aids, 4.5% for toothbrushes, 3.5% breath fresheners and 2.6% for denture cleaners.

Continued

There would have been a four-week expansion in sales of proprietary remedies but for the severe loss of 7.6% among internal analgesics, which corresponds to a drop of 1.7 million units in the April period. Gains were exhibited in 10 of the 15 categories monitored by SAMI, led by a 25.8% rise in volume for external analgesics.

Cold remedies improve

Of note was the improvement in trends among cold and cough remedies, where all four categories went from losses in the two preceding periods to gains in the most recent four weeks.

Eye care products showed a negative trend for the second time in 1990. The highest loss rates were 19.3% for appetite suppressants, which are being cannibalized by the growth of Slim Fast and Ultra Slim Fast in the SAMI measured diet meals category, and a fairly mean-

ingless loss of 16.2% for the minimal volume category of over-the-counter tranquilizers.

In the shaving needs product group, there has been a change in the category structure. Razor blades and razors have been combined into a single category, razor sets. Razor sets are now treated as a product class of this revised category.

In spite of the emergence of Gillette's Sensor as a major competitor, the new category has suffered unit losses during the past three four-week periods (although dollar volume improved 5.9% during the April period). Four-week shaving cream unit volume fell 5.4%, as contrasted with a 2.2% gain for the 12-week span.

Only one category in the skin care aids product group showed a four-week gain; but since it was the highly seasonal suntan lotion/suntan oil category, the timing was important. ■

PHOTO MINILABS

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dominant along with 35mm point-and-shoot cameras, the franchises can serve the bulk of one-hour customers in a smaller space. Those operating the specialized 35mm processing equipment, moreover, require less training—a four to six hour course.

Photo-go equipment, while less versatile, is less expensive than other machines capable of handling different film formats. It starts at about \$26,000 and costs in the \$35,000-\$36,000 range for a fully merchandised installation, according to Print Technology CEO Howard Ruby.

An extra customer service

Like most retailers, Westward Ho's Preston sees more value in the center as an extra customer service, not necessarily as a traffic-builder or a way to get shoppers to linger longer in the store. "In business today, you've got to have as many services and conveniences as you possibly can," Preston says. "This is just one more perk that we can give them."

"Most customers leave the store and come back, even if they use the quick photo service," Preston adds. Others, including Price Chopper's Guarneri, agree. "Of those who use the one-hour lab, the percentage that stay around and pick it up in the same trip is

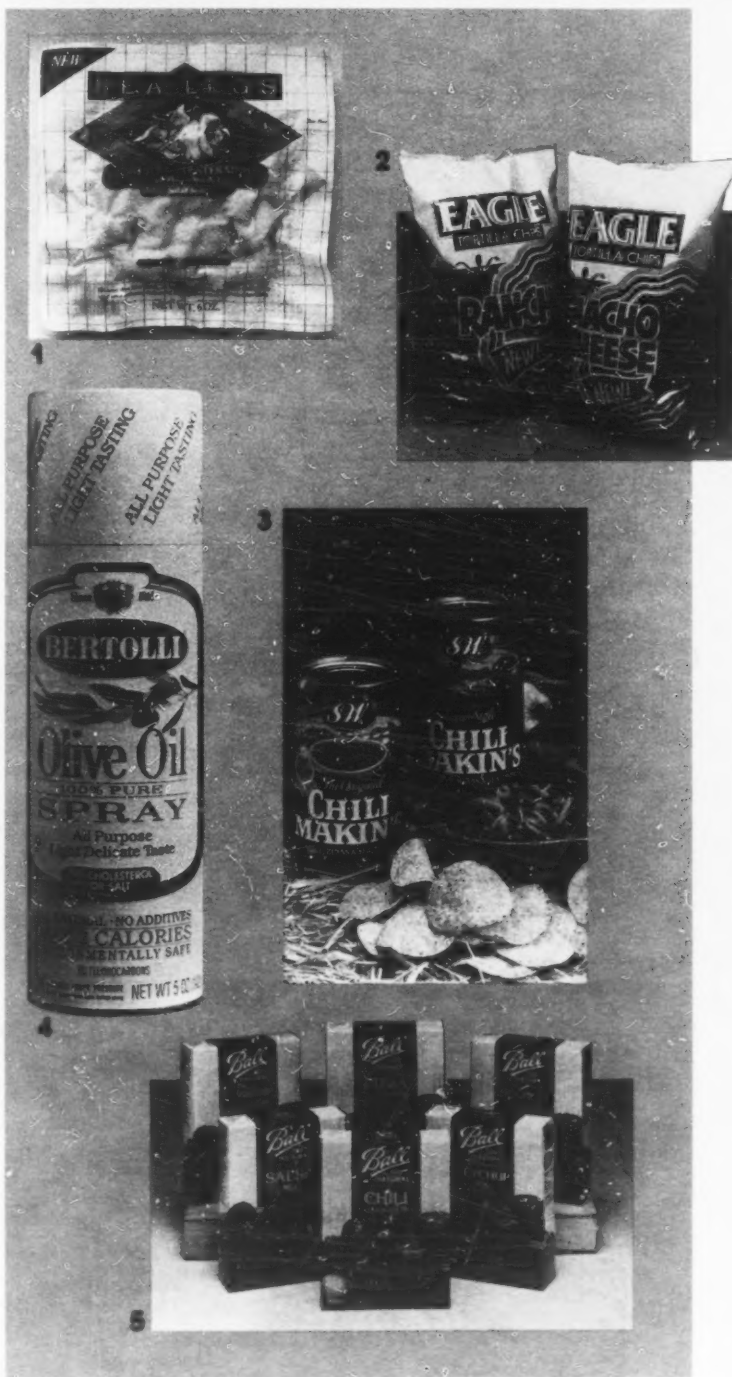
very small, less than 25 percent," Guarneri says.

While one-hour labs might seem to cut into a supermarket's film drop business, most retailers have seen a net film-drop gain along with the business generated by same-day photo processing. Most also strongly advise keeping the drop-box option available.

"It makes sense to do both," says Brasher of Furr's. Along with those willing to pay a premium for quick, high quality processing, "a lot of our customers still save up to 30 rolls of film, waiting until we run a 99 cent [wholesale lab] special."

The jury's still out on how long it will take, but the lower threshold of minilab cost-effectiveness for supermarkets could help swing a greater percentage of the total \$8.5 billion market for photo supplies and processing to supermarkets. Current overall share at grocery stores was less than 14 percent, according to SUPERMARKET BUSINESS's 1989 Consumer Expenditures Study.

As more supermarkets offer the sub-hour photo processing option, the most compelling reason for installing a full-service photo center will no longer be limited to an effort to win share from non-food store competitors. It will be to avoid losing customers to those supermarkets who have already included minilabs with the other services luring customers to their stores. ■



1 No crackers required: Sea Legs surimi-based shellfish expands with three products packed in single-serve portions: Lobster Salad Style, shown here, Lobster Tail Style and King Crab Leg Style. The Berelson Co., 100 Pine St., San Francisco, CA 94111; (415) 956-6600

2 South of the border: Eagle Snacks' new tortilla chips come in three varieties: Nacho Cheese, Ranch and Restaurant Style. Odd Couple veterans Tony Randall and Jack Klugman will promote the new line. Eagle Snacks, One Busch Place, St. Louis, MO 63118-1852; (314) 577-4089

3 Just add meat: S&W's Chili Makin's Texas Style chili, like its original Chili Makin's, gives aspiring chili chefs a shortcut with sauce, beans and seasonings already prepared; just

add fresh beef. S&W Fine Foods, 3160 Crow Canyon Rd., San Ramon, CA 94583; (415) 866-4500

4 Monounsaturated mist: Bertolli's Olive Oil Spray, like its other olive oil products, is high in monounsaturated fats, which lower cholesterol, blood pressure and blood sugar levels. While it has no fluorocarbons, it can be sprayed on a pan, adding as little as two calories per serving. Bertolli USA, 300 Harmon Meadow Blvd., Secaucus, NJ 07094; (201) 863-2088

5 Serve or preserve: Ball's new line of six tomato mixes can be prepared for immediate use or used for home canning. Sauce flavors include salsa, chili, spaghetti, pizza, ketchup and barbecue sauce. Ball Corp., 345 S. High St., Muncie, IN 47305; (317) 747-6240